

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
MARCH 31, 2017

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**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
MARCH 31, 2017**

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**POLITICAL SUBDIVISIONS
SEEKING MEMBERSHIP**

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**Political Subdivisions Beginning Participation
in the Tennessee Consolidated Retirement System
April 1, 2017**

Political Subdivision	Amount of Service Employer	Employee	ER Rate	EE Rate	Accrued Liability	Part Time Coverage	Cost of Living	Number of Employees
Town of Bruceton	0	All	11.20%	0.00%	\$0	Exclude	Include	3
Regular Defined Benefit Plan								

Meetings:

August 2016 Explained initial employer costs and participating procedures to the governing body.
April 2017 Will explain reporting procedures to payroll officer(s).

Additional Note:

Bruceton is joining TCRS as of April 2017 on a prospective basis.

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STATE OF TENNESSEE
TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
502 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-0201

DAVID H. LILLARD, JR.
STATE TREASURER

JAMIE WAYMAN
DIRECTOR

Memorandum

Date: March 31, 2017
To: TCRS Board of Trustees
From: Karen Curtis, TCRS Employer Liaison
Subject: The Town of Bruceton

The Town of Bruceton is petitioning for participation in the Tennessee Consolidated Retirement System. This membership would be effective January 1, 2017 for new hires only from that date forward.

The Town has chosen to participate in the Regular Defined Benefit Plan with an initial contribution rate of 11.20%. The Town's rate will be reevaluated during the next actuarial valuation. As this time, there is no identifiable annual cost since this plan is only offered to new hires. However, a current budget has been supplied that includes a line item for their current defined benefit plan equals \$ 50,791.29.

Tennessee Consolidated
Retirement System
Pre-Existing Defined Benefit Plan
(Allowing Pre-Existing Plan Participants the
Choice of Joining TCRS)

Town of Bruceton
Resolution No. 9-13-16

A RESOLUTION to authorize a political subdivision that maintains a pre-existing defined benefit pension plan that is closed to new membership to participate in the Tennessee Consolidated Retirement System ("TCRS") in accordance with Tennessee Code Annotated, Title 8, Chapters 34 - 37 and to authorize its current employees who participate in the pre-existing plan the choice of maintaining membership in the pre-existing plan or joining TCRS.

WHEREAS, Tennessee Code Annotated, Title 8, Chapter 35, Part 2 authorizes a political subdivision that maintains a pre-existing defined benefit pension plan that is closed to new membership to participate in TCRS and to authorize its current employees who participate in the pre-existing plan the choice of maintaining membership in the pre-existing plan or joining TCRS, subject to the approval of the TCRS Board of Trustees; and

WHEREAS, the Town of Bruceton desires to participate in TCRS under the provisions of Tennessee Code Annotated, Title 8, Chapters 34 - 37 and in accordance with the following terms and conditions:

- A. TYPE PLAN. (CHECK BOX 1 OR BOX 2 OR BOX 3 OR BOX 4). The Political Subdivision adopts the following type plan:
- (1) ☒ Regular Defined Benefit Plan.
 - (2) ☐ Alternate Defined Benefit Plan.
 - (3) ☐ Local Government Hybrid Plan (If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees participating in the Plan and pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt. The defined contribution plan could provide for employer contributions of 0% to up to 7% of its employees' salaries).
 - (4) ☐ State Employee and Teacher Hybrid Plan (If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees whereby the Political Subdivision makes a mandatory employer contribution on behalf of each of its employees participating in the Plan equal to 5% of the respective employee's salary subject to the cost controls and unfunded liability controls of the Plan. The Political Subdivision must also pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt).
- B. EMPLOYEE CONTRIBUTIONS. The Employees shall contribute:
- 0 % of the employees' earnable compensation (The amount inserted MUST BE the same % rate as the employee contribution rate under the Political Subdivision's pre-existing defined benefit plan and is subject to the approval of the TCRS Board of Trustees. NOTE: If the State Employee and Teacher Hybrid Plan is selected above and if the approved employee contribution rate is set at an amount less than 5% of the employees' earnable compensation, the 4% employer contribution rate described in the Hybrid Plan will be increased by the percentage difference between 5% and the approved employee contribution rate).
- C. COST-OF-LIVING INCREASES FOR RETIREES. (CHECK BOX 1 OR BOX 2 - IF EITHER THE LOCAL GOVERNMENT, OR THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, COST-OF-LIVING INCREASES FOR RETIREES IN THOSE PLANS MUST BE GIVEN, SUBJECT TO ANY APPLICABLE COST

CONTROLS AND UNFUNDED LIABILITY CONTROLS AND BOX 2 MUST BE CHECKED). The Political Subdivision shall:

- (1) ☐ NOT provide cost-of-living increases for its retirees.
- (2) ☒ PROVIDE cost-of-living increases for its retirees.

D. ELIGIBILITY OF PART-TIME EMPLOYEES. (CHECK BOX 1 OR BOX 2). The Political Subdivision shall:

- (1) ☒ NOT allow its part-time employees to participate in TCRS.
- (2) ☐ ALLOW its part-time employees to participate in TCRS.

E. PRIOR SERVICE CREDITED IN PRE-EXISTING PLAN. (CHECK BOX 1 OR BOX 2). For each employee employed with the Political Subdivision on the effective date of the Political Subdivision's participation in TCRS, the Political Subdivision shall with respect to prior service credited in the pre-existing plan:

- (1) ☐ NOT allow its employees to establish in TCRS any such prior service credit, but ALLOW its employees the choice of maintaining membership in the pre-existing plan, or joining TCRS on a prospective basis.
- (2) ☒ ALLOW its employees the choice of maintaining membership in the pre-existing plan or joining TCRS and ALLOW its employees who join TCRS to establish the prior service credit in TCRS (NOTE: Any employee who desires to establish the prior service credit in TCRS must do so within six (6) months of the effective date of the Political Subdivision's participation in TCRS by making any required payment and by forfeiting the employee's right to any service credit in the pre-existing plan. Any employee who fails to make the election as provided above shall not later be eligible to establish the prior service).

IF Item E(2) is selected above, the Political Subdivision shall (CHECK AND COMPLETE BOX (A) OR BOX (B) OR BOX (C)):

- (A) ☐ Purchase ALL years of prior service credit on behalf of its employees.
- (B) ☒ Purchase NO years of prior service credit on behalf of its employees, but shall accept the unfunded liability should its employees establish ALL years of prior service.
- (C) ☐ Purchase _____ years of prior service credit on behalf of its employees and accept the unfunded liability should its employees establish their remaining years of prior service credit.

F. PRIOR SERVICE NOT CREDITED IN PRE-EXISTING PLAN. (CHECK AND COMPLETE BOX 1 OR BOX 2 OR BOX 3 OR BOX 4 OR BOX 5). For each employee employed with the Political Subdivision on the effective date of the Political Subdivision's participation in TCRS, the Political Subdivision shall with respect to prior service not credited in the pre-existing plan:

- (1) ☐ Purchase ALL years of such prior service credit on behalf of its employees.
- (2) ☐ Purchase NO years of prior service credit on behalf of its employees, but accept the unfunded liability should its employees establish ALL years of prior service.
- (3) ☒ NOT allow its employees to establish any such prior service credit with the Political Subdivision.
- (4) ☐ Purchase _____ years of prior service credit on behalf of its employees and accept the unfunded liability should its employees establish an additional _____ years of prior service credit.
- (5) ☐ Purchase _____ years of prior service credit on behalf of its employees and no additional prior service credit may be established; and

G. MAXIMUM UNFUNDED LIABILITY. (COMPLETE THIS ITEM G ONLY IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE). For purposes of the cost control provisions of Tennessee Code Annotated, Section 8-36-922(d), the Political Subdivision defines "maximum unfunded liability" to mean an unfunded liability of no greater than _____; and

WHEREAS, the liability for participation and costs of administration shall be the sole responsibility of the Political Subdivision and not the State of Tennessee; and

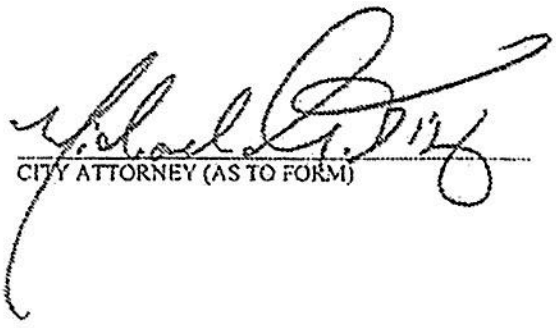
WHEREAS, the Political Subdivision has passed a budget amendment appropriating the funds necessary to meet such liability and the same is attached hereto; and

WHEREAS, the effective date of participation shall be on January 1, 2017 or on such later date as determined by the TCRS Board of Trustees, and the initial employer contribution rate shall be 11.2%, which is based on the estimated lump sum accrued liability of \$0.00.

NOW, THEREFORE, BE IT RESOLVED That the Mayor and Board of Alderman of the Town of Bruceston hereby authorizes all its employees in all its departments or instrumentalities to become eligible to participate in TCRS in accordance with the above terms and conditions subject to the approval of the TCRS Board of Trustees. It is acknowledged and understood that pursuant to Tennessee Code Annotated, Section 8-35-111 the Political Subdivision shall not make employer contributions to any other defined benefit plan on behalf of any employee who participates in TCRS pursuant to this Resolution. It is further acknowledged and understood that pursuant to Section 8-35-111 the Political Subdivision shall not make employer contributions to any defined contribution plans on behalf of any employee who participates in TCRS pursuant to this Resolution wherein the total combined employer contributions to such plans exceed 3% of the employee's salary, unless the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision for such employee. If either the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision, the Political Subdivision may make employer contributions to the defined contribution plan component of that Plan and to any one or more additional tax deferred defined contribution plans on behalf of such employee provided that the total combined employer contributions to such plans on behalf of the employee does not exceed 7% of the employee's salary.

Dated, this the 13 day of Aug Sept, 2016.


MAYOR


CITY ATTORNEY (AS TO FORM)

STATE OF TENNESSEE
COUNTY OF CARROLL

I, Annie Hand, City Recorder of the Town of Bruceton, Carroll County, Tennessee, do hereby certify that this is a true and exact copy of the foregoing Resolution that was approved and adopted in accordance with applicable law at a meeting held on the 13th day of September, 2016, the original of which is on file in this office.

IN WITNESS WHEREOF, I have hereunto set my hand, and the seal of the Town of Bruceton.

Seal




CITY RECORDER

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**Political Subdivisions Beginning Participation
in the Tennessee Consolidated Retirement System
April 1, 2017**

Political Subdivision	Amount of Service Employer	Employee	ER Rate	EE Rate	Accrued Liability	Part Time Coverage	Cost of Living	Number of Employees
Dickson County Emergency Communications District	ALL	0	2.54%	5.00%	\$4,326	Include	Exclude	1
Alternate Defined Benefit Plan								

Meetings:

September 2016 Explained initial employer costs and participating procedures to the governing body.
April 2017 Will explain reporting procedures to payroll officer(s).

Additional Note:

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An actuarial valuation was performed as of October 1, 2016 to examine the cost of any benefits provided by the Tennessee Consolidated Retirement System (TCRS) as it would apply to the Dickson County Emergency Communications Board if the group joined the TCRS on that date.

The TCRS offers three different plan design options for political subdivisions, referred to throughout this report as Plan 1, Plan 2, and Plan 3. Each of the three plans has a unique set of benefits and corresponding costs. The description of the benefits can be found in the Plan Provisions section of this report. The summary of the annual employer costs as a percentage of payroll for each of the three plans is shown in the table below. Further, within Plan 1 and Plan 2, each political subdivision can elect whether to include or exclude cost of living benefits in its retirement plan. If cost of living benefits are included, they must be "advance funded" in the same manner as other retirement benefits. Costs have been developed both "with" and "without" cost of living benefits for Plan 1 and Plan 2. Plan 3 is required to include cost of living benefits.

Each political subdivision joining the TCRS also has the option of whether or not to include employees' past service (service earned prior to the date of joining the TCRS) in the determination of benefits. If past service is included, the political subdivision may elect whether or not to limit the past service to a selected number of years. Further, the included years of past service may be fully purchased by the employer, or the employee can be made to be responsible for voluntarily purchasing the past service with the employer accepting its share of the liability for any years that the employee purchases. The prospective annual employer cost as a percentage of payroll for each of the past service scenarios currently considered by the entity is shown below.

	Plan 1		Plan 2		Plan 3
	Without COLA	With COLA	Without COLA	With COLA	With COLA
Past Service Scenarios					
1. All Past Service (Employer purchases all years)	5.53%	7.88%	2.54%	4.01%	1.45%

The above results assume that employees will contribute 5% of pay toward the future cost of their retirement benefit. Alternatively, the entity may elect to charge only 2.5% employee contributions or to require no employee contributions, in which case TCRS will increase the above results by 2.5% or 5%, respectively.



STATE OF TENNESSEE
TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
502 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-0201

DAVID H. LILLARD, JR.
STATE TREASURER

JILL BACHUS
DIRECTOR

MEMORANDUM

TO: Sandi Thompson, Division of Local Finance
FROM: Melissa L. Davis, RetireReadyTN *md*
SUBJECT: Participation in Tennessee Consolidated Retirement System
DATE: December 1, 2016

The Dickson County Emergency Communications District will begin participation in the Tennessee Consolidated Retirement System effective 4/1/2017.

The Board of Trustees of the TCRS requires a political subdivision to appropriate the necessary funds in their budget for annual retirement costs. The total first year cost for the entity is One Thousand, Three Hundred and Thirty-three Dollars (\$1,333.00.) One Hundred Percent (100%) of this figure is required to be budgeted for fiscal year 2017.

Enclosed is the fiscal year 2017 budget for this entity. Please let me know if this information is sufficient and accurately reflects adequate funding for retirement costs for this entity.

If you have any questions, please call me at (615) 253-6128.

Enclosure



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
OFFICE OF STATE AND LOCAL FINANCE
SUITE 1600 JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7872
FAX (615) 741-5986

Memorandum

TO: Melissa Davis, TCRS Employer Services
FROM: Sandra Thompson, Director *Sandra Thompson*
DATE: January 17, 2017
SUBJECT: Dickson County Emergency Communications District

It appears the Dickson County Emergency Communications District (the "District") will have sufficient revenues budgeted to fund the retirement costs associated with becoming a member of the Tennessee Consolidated Retirement System (TCRS) effective April 1, 2017.

Pursuant to your request, we have reviewed the District's budget for the fiscal year ending June 30, 2017. The budget includes pension expense of \$5,000, which adequately covers the Board's total first year cost of \$1,333 to participate in TCRS. The condensed annual budget presented below demonstrates that the District has total expenses that exceed total revenues for fiscal year 2017, however, according to the fiscal year 2016 audited financial statements, the District does have sufficient cash available to cover all expenses including the TCRS pension expenses.

Dickson County Emergency Communications District
Condensed Annual Budget
Fiscal Year Ending June 30, 2017

Total Revenues	\$	587,146
Total Expenses		596,150 *
Increase (Decrease) in Net Position	\$	(9,004)

* Operating expenses include retirement costs of \$5,000.

The financial information received by this Office with the request for the review of the District's fiscal year 2017 budget represents the District's assertions of its financial condition that may or may not reflect its current or future financial condition.

If you need additional information, please do not hesitate to contact me.

Tennessee Consolidated
Retirement System

A RESOLUTION to authorize a political subdivision's participation in the Tennessee Consolidated Retirement System in accordance with Tennessee Code Annotated, Title 8, Chapters 34 – 37.

WHEREAS, Tennessee Code Annotated, Title 8, Chapter 35, Part 2 allows a political subdivision to participate in the Tennessee Consolidated Retirement System ("TCRS") subject to the approval of the TCRS Board of Trustees; and

WHEREAS, the Dickson County Emergency Community District desires to participate in TCRS under the
(Name of Political Subdivision)

provisions of Tennessee Code Annotated, Title 8, Chapters 34 – 37 and in accordance with the following terms and conditions:

- A. TYPE PLAN. (CHECK BOX 1 OR BOX 2 OR BOX 3 OR BOX 4). The Political Subdivision adopts the following type plan:
- (1) ☐ Regular Defined Benefit Plan.
 - (2) ☒ Alternate Defined Benefit Plan.
 - (3) ☐ Local Government Hybrid Plan (If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees and pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt. The defined contribution plan could provide for employer contributions of 0% to up to 7% of its employees' salaries).
 - (4) ☐ State Employee and Teacher Hybrid Plan (If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees whereby the Political Subdivision makes a mandatory employer contribution on behalf of each of its employees participating in the Hybrid Plan equal to 5% of the respective employee's salary subject to the cost controls and unfunded liability controls of the Hybrid Plan. The Political Subdivision must also pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt).
- B. EMPLOYEE CONTRIBUTIONS. (CHECK BOX 1 OR BOX 2 OR BOX 3 - IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, THE EMPLOYEES MUST CONTRIBUTE 5% OF THEIR EARNABLE COMPENSATION UNDER THAT PLAN AND BOX 1 MUST BE CHECKED). The Employees shall contribute:
- (1) ☒ 5% of the employees' earnable compensation.
 - (2) ☐ 2.5% of the employees' earnable compensation.
 - (3) ☐ 0% of the employees' earnable compensation.
- C. COST-OF-LIVING INCREASES FOR RETIREES. (CHECK BOX 1 OR BOX 2 - IF EITHER THE LOCAL GOVERNMENT, OR THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, COST-OF-LIVING INCREASES FOR RETIREES MUST BE GIVEN, SUBJECT TO ANY APPLICABLE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS AND BOX 2 MUST BE CHECKED). The Political Subdivision shall:
- (1) ☒ NOT provide cost-of-living increases for its retirees.
 - (2) ☐ PROVIDE cost-of-living increases for its retirees.
- D. ELIGIBILITY OF PART-TIME EMPLOYEES. (CHECK BOX 1 OR BOX 2). The Political Subdivision shall:
- (1) ☐ NOT allow its part-time employees to participate in TCRS.
 - (2) ☒ ALLOW its part-time employees to participate in TCRS.
- E. PRIOR SERVICE. (CHECK AND COMPLETE BOX 1 OR BOX 2 OR BOX 3 OR BOX 4 OR BOX 5 - CAUTION: IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE AND IF BOX 3 BELOW IS NOT

TR9023

NP 00058

CHOSEN, THE EMPLOYER CONTRIBUTION COULD EXCEED 4% THEREBY CAUSING THE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS TO AUTOMATICALLY APPLY. ACCORDINGLY, PRIOR SERVICE IS NOT RECOMMENDED). For each employee employed with the Political Subdivision on the effective date of the Political Subdivision's participation in TCRS, the Political Subdivision shall:

- (1) ☒ Purchase ALL years of prior service credit on behalf of its employees.
- (2) ☐ Purchase NO years of prior service credit on behalf of its employees, but shall accept the unfunded liability should its employees establish ALL years of prior service.
- (3) ☐ NOT allow its employees to establish any prior service credit with the Political Subdivision.
- (4) ☐ Purchase _____ years of prior service credit on behalf of its employees and accept the unfunded liability should its employees establish an additional _____ years of prior service credit.
- (5) ☐ Purchase _____ years of prior service credit on behalf of its employees and no additional prior service credit may be established; and

F. **MAXIMUM UNFUNDED LIABILITY.** (COMPLETE THIS ITEM F ONLY IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE). For purposes of the cost control provisions of Tennessee Code Annotated, Section 8-36-922(d), the Political Subdivision defines "maximum unfunded liability" to mean an unfunded liability of no greater than N/A _____; and

WHEREAS, the liability for participation and costs of administration shall be the sole responsibility of the Political Subdivision and not the State of Tennessee; and

WHEREAS, the Political Subdivision has passed a budget amendment appropriating the funds necessary to meet such liability and the same is attached hereto; and

WHEREAS, the effective date of participation shall be on April 1, 2017, or on such later date as determined by the TCRS Board of Trustees, and the initial employer contribution rate shall be 2.54%, which is based on the estimated lump sum accrued liability of \$4, 326.00.

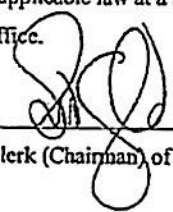
NOW, THEREFORE, BE IT RESOLVED That the Board of Directors of the Dickson County Emergency Communication District hereby authorizes all its employees in all its departments or instrumentalities to become eligible to participate in TCRS in accordance with the above terms and conditions subject to the approval of the TCRS Board of Trustees. It is acknowledged and understood that pursuant to Tennessee Code Annotated, Section 8-35-111 the Political Subdivision shall not make employer contributions to any other retirement or deferred compensation plans on behalf of any employee who participates in TCRS pursuant to this Resolution wherein the total combined employer contributions to such plans exceed 3% of the employee's salary, unless the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision for such employee. If either the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision, the Political Subdivision may make employer contributions to the defined contribution plan component of that Plan and to any one or more additional tax deferred compensation or retirement plans on behalf of such employee provided that the total combined employer contributions to such plans on behalf of the employee does not exceed 7% of the employee's salary.

STATE OF TENNESSEE

COUNTY OF Dickson

I, R. Scott England, clerk (Chairman) of the

Board of Directors of the Dickson County Emergency Communication District, do hereby certify that this is a true and exact copy of the foregoing Resolution that was approved and adopted in accordance with applicable law at a meeting held on the 9th day of Jan, 2017, the original of which is on file in this office.


As Clerk (Chairman) of the Board, as aforesaid

STATE OF TENNESSEE

COUNTY OF Dickson

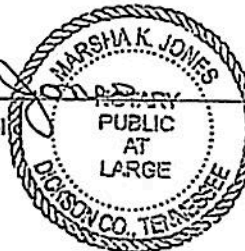
Before me, a Notary Public, of the State and County aforesaid, personally appeared R. Scott England to me known (or proved to me on the basis of satisfactory evidence) to be the individual aforesaid mentioned above.

Witness my hand and seal this 9 day of Jan., 2017.

My Commission Expires:

12-23, 2019

Marsha K. Jones
Notary Public



**Political Subdivisions Beginning Participation
in the Tennessee Consolidated Retirement System
April 1, 2017**

Political Subdivision	Amount of Service Employer	Employee	ER Rate	EE Rate	Accrued Liability	Part Time Coverage	Cost of Living	Number of Employees
Johnson City Energy Authority	0	ALL	13.42%	5.00%	\$0	Excluded	Included	0
Regular Defined Benefit Plan								

Meetings:

August 2016 Explained initial employer costs and participating procedures to the governing body.

April 2017 Will explain reporting procedures to payroll officer(s).

Additional Notes:

Johnson City Energy Authority was created and will absorb Johnson City Power Board. All retirement benefits will remain the same for current employees and future employees.

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Tennessee Consolidated Retirement System

A RESOLUTION to authorize a political subdivision's participation in the Tennessee Consolidated Retirement System in accordance with Tennessee Code Annotated, Title 8, Chapters 34 – 37.

WHEREAS, Tennessee Code Annotated, Title 8, Chapter 35, Part 2 allows a political subdivision to participate in the Tennessee Consolidated Retirement System ("TCRS") subject to the approval of the TCRS Board of Trustees; and

WHEREAS, the Johnson City Energy Authority desires to participate in TCRS under the provisions of Tennessee
(Name of Political Subdivision)

Code Annotated, Title 8, Chapters 34 – 37 and in accordance with the following terms and conditions:

- A. TYPE PLAN. (CHECK BOX 1 OR BOX 2 OR BOX 3 OR BOX 4). The Political Subdivision adopts the following type plan:
- (1) ☒ Regular Defined Benefit Plan.
 - (2) ☐ Alternate Defined Benefit Plan.
 - (3) ☐ Local Government Hybrid Plan (If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees and pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt. The defined contribution plan could provide for employer contributions of 0% to up to 7% of its employees' salaries).
 - (4) ☐ State Employee and Teacher Hybrid Plan (If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees whereby the Political Subdivision makes a mandatory employer contribution on behalf of each of its employees participating in the Hybrid Plan equal to 5% of the respective employee's salary subject to the cost controls and unfunded liability controls of the Hybrid Plan. The Political Subdivision must also pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt).
- B. EMPLOYEE CONTRIBUTIONS. (CHECK BOX 1 OR BOX 2 OR BOX 3 - IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, THE EMPLOYEES MUST CONTRIBUTE 5% OF THEIR EARNABLE COMPENSATION UNDER THAT PLAN AND BOX 1 MUST BE CHECKED). The Employees shall contribute:
- (1) ☒ 5% of the employees' earnable compensation.
 - (2) ☐ 2.5% of the employees' earnable compensation.
 - (3) ☐ 0% of the employees' earnable compensation.
- C. COST-OF-LIVING INCREASES FOR RETIREES. (CHECK BOX 1 OR BOX 2 - IF EITHER THE LOCAL GOVERNMENT, OR THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, COST-OF-LIVING INCREASES FOR RETIREES MUST BE GIVEN, SUBJECT TO ANY APPLICABLE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS AND BOX 2 MUST BE CHECKED). The Political Subdivision shall:
- (1) ☐ NOT provide cost-of-living increases for its retirees.
 - (2) ☒ PROVIDE cost-of-living increases for its retirees.
- D. ELIGIBILITY OF PART-TIME EMPLOYEES. (CHECK BOX 1 OR BOX 2). The Political Subdivision shall:
- (1) ☒ NOT allow its part-time employees to participate in TCRS.
 - (2) ☐ ALLOW its part-time employees to participate in TCRS.

E. PRIOR SERVICE. (CHECK AND COMPLETE BOX 1 OR BOX 2 OR BOX 3 OR BOX 4 OR BOX 5 – CAUTION: IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE AND IF BOX 3 BELOW IS NOT CHOSEN, THE EMPLOYER CONTRIBUTION COULD EXCEED 4% THEREBY CAUSING THE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS TO AUTOMATICALLY APPLY. ACCORDINGLY, PRIOR SERVICE IS NOT RECOMMENDED). For each employee employed with the Political Subdivision on the effective date of the Political Subdivision's participation in TCRS, the Political Subdivision shall:

- (1) ☐ Purchase ALL years of prior service credit on behalf of its employees.
- (2) ☒ Purchase NO years of prior service credit on behalf of its employees, but shall accept the unfunded liability should its employees establish ALL years of prior service.
- (3) ☐ NOT allow its employees to establish any prior service credit with the Political Subdivision.
- (4) ☐ Purchase _____ years of prior service credit on behalf of its employees and accept the unfunded liability should its employees establish an additional _____ years of prior service credit.
- (5) ☐ Purchase _____ years of prior service credit on behalf of its employees and no additional prior service credit may be established; and

F. MAXIMUM UNFUNDED LIABILITY. (COMPLETE THIS ITEM F ONLY IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE). For purposes of the cost control provisions of Tennessee Code Annotated, Section 8-36-922(d), the Political Subdivision defines "maximum unfunded liability" to mean an unfunded liability of no greater than _____: and

WHEREAS, the liability for participation and costs of administration shall be the sole responsibility of the Political Subdivision and not the State of Tennessee; and

WHEREAS, the Political Subdivision has passed a budget amendment appropriating the funds necessary to meet such liability and the same is attached hereto; and

WHEREAS, the effective date of participation shall be on April 1, 2017, or on such later date as determined by the TCRS Board of Trustees, and the initial employer contribution rate shall be 13.42%.

NOW, THEREFORE, BE IT RESOLVED That the Board of Directors of the Johnson City Energy Authority hereby
(Name of Governing Body) (Name of Political Subdivision)

authorizes all its employees in all its departments or instrumentalities to become eligible to participate in TCRS in accordance with the above terms and conditions subject to the approval of the TCRS Board of Trustees. It is acknowledged and understood that pursuant to Tennessee Code Annotated, Section 8-35-111 the Political Subdivision shall not make employer contributions to any other retirement or deferred compensation plans on behalf of any employee who participates in TCRS pursuant to this Resolution wherein the total combined employer contributions to such plans exceed 3% of the employee's salary, unless the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision for such employee. If either the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision, the Political Subdivision may make employer contributions to the defined contribution plan component of that Plan and to any one or more additional tax deferred compensation or retirement plans on behalf of such employee provided that the total combined employer contributions to such plans on behalf of the employee does not exceed 7% of the employee's salary.

STATE OF TENNESSEE

COUNTY OF Washington

I, Ceilya A. Campbell, secretary of the Board of Directors of the Johnson City Energy Authority do hereby certify that this is a true and exact copy of the foregoing Resolution that was approved and adopted in accordance with applicable law at a meeting held on the 15 day of December, 201~~1~~⁶, the original of which is on file in this office.

IN WITNESS WHEREOF, I have hereunto set my hand.

Ceilya A. Campbell
As Secretary of the Board, as aforesaid

A RESOLUTION APPROVING CERTAIN MATTERS RELATING TO THE
ORGANIZATION AND OPERATION OF THE JOHNSON CITY ENERGY AUTHORITY
(THE "AUTHORITY")

WHEREAS, the City of Johnson City, Tennessee created the Authority pursuant to the provisions of Chapter 995 of the 2016 Public Acts of the General Assembly of the State of Tennessee (the "Authority Act"); and

WHEREAS, under the Authority Act, certain matters are reserved to the Board of Directors ("Board") of the Authority; and

WHEREAS, the Board deems it appropriate to take certain initial actions pursuant to the Authority Act relative to the organization and operation of the Authority.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE JOHNSON CITY ENERGY AUTHORITY THAT:

1. **Selection and Appointment of President and Chief Executive Officer.** The Board selects and appoints Mr. Jeff Dykes to serve as the President and Chief Executive Officer of the Authority pursuant to the terms of the employment contract between Mr. Dykes and the Johnson City Power Board ("JCPB"), provided that such terms shall not be effective until such agreement has been assigned to the Authority in accordance with an Assignment and Assumption Agreement between the City of Johnson City, Tennessee and the Authority. Until such time as the employment contract is assigned to and assumed by the Authority, Mr. Dykes shall continue to be compensated by JCPB, shall continue to be subject to the terms of his contract with JCPB and shall serve the Authority without additional compensation.

2. **Selection and Appointment of Other Officers.** To the extent that the President and Chief Executive Officers appoints other officers of the Authority who also serve as officers

of JCPB, such officers shall continue to be compensated by JCPB without further compensation from the Authority and shall continue to be subject to the terms of their respective appointments by JCPB until such time as their respective arrangements with JCPB are assigned to and assumed by the Authority.

3. **Adoption of Budget.** The Board adopts the budget of the Johnson City Power Board ("JCPB") as the budget of the Authority, with such budget to become effective as of the transfer of the assets of JCPB to the Authority, the satisfaction or defeasance of the bonds of JCPB and the assumption of liabilities of JCPB by the Authority (the "JCPB Transfer").

4. **Approval of Rates.** The Board adopts the rate schedule, rules and regulations and other terms and conditions of electric service of JCPB as are in effect as the effective date of the JCPB Transfer.

5. **Selection of Auditors.** The Board selects Blackburn, Childers & Stegall, PLC as the independent auditors of the Authority for its fiscal year 2016-2017; provided that prior to the JCPB Transfer, Blackburn, Childers & Stegall, PLC shall provide any necessary accounting and other services related to the JCPB Transfer pursuant to the terms of its existing agreement with JCPB.

6. **Adoption of Fiscal Year.** The Board adopts a June 30 fiscal year for the Authority.

7. **Adoption of Debt Management Policy.** The Board adopts the Debt Management Policy attached hereto as Exhibit A.

8. **Adoption of Federal Tax Compliance Policies and Procedures.** The Board adopts the Federal Tax Compliance Policies and Procedures attached hereto as Exhibit B.

9. **Participation in Tennessee Consolidated Retirement System.** The Board approves the Authority's participation in the Tennessee Consolidated Retirement System and authorizes the President and Chief Executive Officer to take all steps necessary to provide for the continuation, as of the effective date of the JCPB Transfer, of the retirement benefits of employees of the Authority as such benefits existed under the retirement system of JCPB without diminution.

10. **Adoption of Purchasing Policy.** The Board adopts the purchasing policy of JCPB as the purchasing policy of the Authority. The Board directs the President or his designee to make such non-substantive changes to the JCPB purchasing policy as are necessary to restate such policy in the name of the Authority. The Authority shall be subject to such other purchasing requirements as are currently in effect or may be adopted by general statute from time to time for authorities that operate pursuant to the Authority Act.

11. **Adoption of Ethics Policy.** The Board adopts the Ethics Policy attached hereto as Exhibit C.

12. **No Initial Bylaws.** The Act and generally applicable state law address the manner in which the Board shall hold its meetings and conduct its business. The Board adopts Robert's Rules of Order to govern any procedural matters that are not addressed in the Act. Based upon the foregoing, the Board determines that it is not necessary to adopt initial bylaws at this time, but nothing in this resolution will limit the ability of the Board to adopt bylaws in the future.

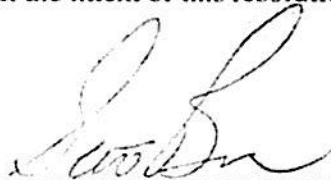
13. **No Seal.** The Board determines that it is not necessary to adopt a seal for the Authority at this time.

14. Recording Secretary. The Board approves the appointment of Ceilya Campbell as the Recording Secretary of the Board.

15. Ratification and Acceptance of Certificate of Incorporation. The Board ratifies and accepts the Certificate of Incorporation of the Authority as such Certificate was filed with the Tennessee Secretary of State on or about November 15, 2016.

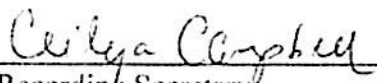
16. Further Authorization. The Chairman and the President and Chief Executive Officer are each individually authorized to take are each individually authorized to take such further actions and to execute such agreements, documents, deeds, or other instruments from time to time as may be necessary or appropriate to carry out the intent of this resolution

Passed and approved December 15, 2016.



Chairman

ATTEST:



Recording Secretary

A RESOLUTION AUTHORIZING THE ACCEPTANCE OF ASSETS OF THE JOHNSON CITY POWER BOARD ("JCPB") AND AUTHORIZING THE ASSUMPTION OF LIABILITIES BY THE JOHNSON CITY ENERGY AUTHORITY ("AUTHORITY")

WHEREAS, the City Commission of the City of Johnson City, Tennessee (the "City") authorized the formation of the Authority pursuant to the Municipal Energy Authority Act (the "Act"), and the Authority's Charter was successfully filed with the Tennessee Secretary of State's office on November 15, 2016; and

WHEREAS, pursuant to the Act, the City Commission authorized the transfer all of the City's rights, title and interest in and to all of the assets of City's electric system, which does business as the Johnson City Power Board or "JCPB," to the Authority; and

WHEREAS, as a condition of the transfer of the City's rights, title and interest in and to all of the assets of JCPB to the Authority, the Authority must pay the City an amount sufficient to enable to the discharge all of the City's bonds associated with JCPB.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE JOHNSON CITY ENERGY AUTHORITY THAT:

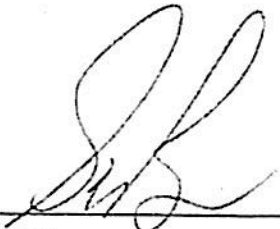
1. That the Chairman and the President and Chief Executive Officer are each individually authorized to take all necessary or appropriate steps to accept the transfer all of the City's rights, title and interest in and to all of the assets of JCPB by the Authority and to take all necessary or appropriate steps to cause the Authority to assume all liabilities of JCPB and to simultaneously pay to the City an amount sufficient to enable the City to discharge the City's bonds associated with JCPB;

2. That the Chairman and the President and Chief Executive Officer are each individually authorized to take such actions from time to time as are appropriate or necessary to

facilitate the transfer of assets of JCPB to and to cause the assumption of liabilities of JCPB by the Authority; and

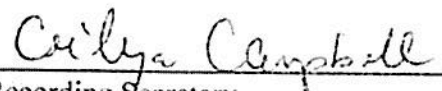
3. That the Chairman and the President and Chief Executive Officer are each individually authorized to take such further actions and to execute such agreements, documents, deeds, or other instruments from time to time as may be necessary or appropriate to carry out the intent of this resolution.

Passed and approved December 15, 2016.



Chairman

ATTEST:



Recording Secretary



CITY OF JOHNSON CITY TENNESSEE

OFFICE OF CITY MANAGER

December 5, 2016

Jeff Dykes, Chief Executive Officer
Johnson City Power Board
2600 Boones Creek Road
Johnson City, TN 37616

RE: Resolution to Approve Transfer of Assets of the Johnson City Power Board to and the assumption of Liabilities of the Johnson City Power Board by the Johnson City Energy Authority

Dear Mr. Dykes,

Enclosed please find an original signed Resolution for your files on the above referenced matter.

If you should have any questions, please feel free to contact me at your convenience.

Yours very truly,

A handwritten signature in cursive script that reads 'Sheri A. Keenan'.

Sheri A. Keenan
Administrative Coordinator
Enclosures

A resolution authorizing the Mayor to take such further actions as are necessary to the cause the transfer of assets of the Johnson City Power Board to and the assumption of liabilities of the Johnson City Power Board by the Johnson City Energy Authority

Whereas, the City Commission of the City of Johnson City, Tennessee (the "City") authorized the formation of the Johnson City Energy Authority (the "Authority") pursuant to the Municipal Energy Authority Act (the "Act"), and the Johnson City Energy Authority's Charter was successfully filed with the Tennessee Secretary of State's office on November 15, 2016; and

Whereas, pursuant to the Act, the City Commission is authorized to transfer all of the City's rights, title and interest in and to all of the assets of City's electric system, which does business as the Johnson City Power Board or "JCPB," to the Authority; and

Whereas, as a condition of the transfer of the City's rights, title and interest in and to all of the assets of JCPB to the Authority, the Authority must either retire all of the City's bonds associated with JCPB, defease all such bonds, or assume and agree to pay in full the principal of and interest on such bonds.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the City of Johnson City:

1. That the Mayor is authorized to take all necessary or appropriate steps to transfer all of the City's rights, title and interest in and to all of the assets of JCPB to the Authority, provided that as a condition to such transfer, the Authority must assume all liabilities of JCPB and must either retire all of the City's bonds associated with JCPB or must defease all such bonds, with all such assumptions, retirements and defeasances to become effective with the transfer of assets from the City to the Authority;
2. That the Mayor is authorized to take such actions from time to time as are appropriate or necessary to transfer the assets of JCPB to and to cause the assumption of liabilities of JCPB by the Authority; and
3. That the Mayor is authorized to take such further actions and to execute such agreements, documents, deeds, or other instruments from time to time as may be necessary or appropriate to carry out the intent of this resolution; and
4. That, upon transfer of the assets of JCPB to the Authority and the Authority's assumption or satisfaction of all obligations of JCPB, the jurisdiction and control over such system shall be transferred to the Authority, and the Board of Directors of JCPB shall cease to exist.

Passed in open meeting on the 14th day of December, 2016.

W. Clinton Atkinson

Mayor

Attest: Janet Jennings

Janet Jennings, City Recorder

Approved as to Form: James H. Epps IV

James H. Epps IV, Staff Attorney

**Political Subdivisions Beginning Participation
in the Tennessee Consolidated Retirement System
April 1, 2017**

Political Subdivision	Amount of Service Employer	Employee	ER Rate	EE Rate	Accrued Liability	Part Time Coverage	Cost of Living	Number of Employees
Lenoir City Housing Authority	ALL	0	19.19%	4.00%	\$431,766	Exclude	Exclude	5
Regular Defined Benefit Plan								

Meetings:

January 2017 Explained initial employer costs and participating procedures to the governing body.
April 2017 Will explain reporting procedures to payroll officer(s).

Additional Note:

Lenoir City Housing Authority is allowing current employees to transfer to TCRS from current closed plan. This required an IRS ruling which TCRS received. Employees that were enrolled in the closed plan were paying a lower contribution rate, therefore they will be allowed to continue that lower contribution rate with TCRS.

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An actuarial valuation was performed as of January 1, 2017 to examine the cost of any benefits provided by the Tennessee Consolidated Retirement System (TCRS) as it would apply to the Lenoir City Housing Authority if the group joined the TCRS on that date.

The TCRS offers three different plan design options for political subdivisions, referred to throughout this report as Plan 1, Plan 2, and Plan 3. Each of the three plans has a unique set of benefits and corresponding costs. The description of the benefits can be found in the Plan Provisions section of this report. The summary of the annual employer costs as a percentage of payroll for each of the three plans is shown in the table below. Further, within Plan 1 and Plan 2, each political subdivision can elect whether to include or exclude cost of living benefits in its retirement plan. If cost of living benefits are included, they must be "advance funded" in the same manner as other retirement benefits. Costs have been developed both "with" and "without" cost of living benefits for Plan 1 and Plan 2. Plan 3 is required to include cost of living benefits.

Each political subdivision joining the TCRS also has the option of whether or not to include employees' past service (service earned prior to the date of joining the TCRS) in the determination of benefits. If past service is included, the political subdivision may elect whether or not to limit the past service to a selected number of years. Further, the included years of past service may be fully purchased by the employer, or the employee can be made to be responsible for voluntarily purchasing the past service with the employer accepting its share of the liability for any years that the employee purchases. The prospective annual employer cost as a percentage of payroll for each of the past service scenarios currently considered by the entity is shown below.

	Plan 1		Plan 2		Plan 3
	Without COLA	With COLA	Without COLA	With COLA	With COLA
Past Service Scenarios					
1. All Past Service (Employer purchases all years)	19.19%	24.89%	14.81%	19.25%	12.62%
2. No Past Service	5.26%	7.34%	2.87%	4.24%	1.92%

The above results assume that employees will contribute 4% of pay toward the future cost of their retirement benefit. Alternatively, the entity may elect to require no employee contributions, in which case TCRS will increase the above results by 4%.



STATE OF TENNESSEE
TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
502 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-0201

DAVID H. LILLARD, JR.
STATE TREASURER

JILL BACHUS
DIRECTOR

MEMORANDUM

TO: Sandi Thompson, Division of Local Finance
FROM: Melissa L. Davis, TCRS Employer Services *MLD*
SUBJECT: Participation in Tennessee Consolidated Retirement System
DATE: February 16, 2017

The Lenoir City Housing Authority will begin participation in the Tennessee Consolidated Retirement System effective 4/1/2017.

The Board of Trustees of the TCRS requires a political subdivision to appropriate the necessary funds in their annual budget for retirement costs. The total first year cost for the entity is Forty-eight Thousand, Five Hundred and Eight Dollars (\$48,508.00.) Twenty-five Percent (25%) of this figure is required to be designated in the budget for the remaining portion of fiscal year 2017, year ending June 30, 2017.

Enclosed is the fiscal year 2017 budget for this entity. Please let me know if this information is sufficient and accurately reflects adequate funding for retirement costs for this entity.

If you have any questions, please call me at (615) 741-1971.

Enclosure



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
OFFICE OF STATE AND LOCAL FINANCE
SUITE 1600 JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7872
FAX (615) 741-5986

Memorandum

TO: Melissa Davis, TCRS Employer Services
FROM: Sandra Thompson, Director *Sandra Thompson*
DATE: February 16, 2017
SUBJECT: Lenoir City Housing Authority Budget

It appears the Lenoir City Housing Authority (the "Authority") will have sufficient revenues budgeted to fund the retirement costs associated with becoming a member of the Tennessee Consolidated Retirement System (TCRS) effective April 1, 2017.

Pursuant to your request, we have reviewed the Authority's budget for the fiscal year ending June 30, 2017. The budget includes pension expense of \$28,670, which adequately covers the Authority's annual prorated cost of \$12,127 to participate in TCRS for the last quarter of fiscal year ending June 30, 2017. The condensed annual budget presented below demonstrates that the Authority has sufficient revenues budgeted to cover all expenses including the TCRS pension expenses.

Lenoir City Housing Authority
Condensed Annual Budget
Fiscal Year Ending June 30, 2017

Total Revenues	\$	766,947
Total Expenses*		<u>655,820</u>
Increase (Decrease) in Net Position	\$	111,127

* Operating expenses include retirement costs of \$28,670.

The financial information received by this Office with the request for the review of the Authority's fiscal year 2017 budget represents the Authority's assertions of its financial condition that may or may not reflect its current or future financial condition.

If you need additional information, please do not hesitate to contact me.

Tennessee Consolidated Retirement System

Pre-Existing Defined Benefit Plan
(Allowing Pre-Existing Plan Participants the
Choice of Joining TCRS Contingent Upon
TCRS' Receipt of a Favorable Private
Letter Ruling from the IRS)

A RESOLUTION to allow a political subdivision that maintains a pre-existing defined benefit pension plan that is closed to new membership to authorize its employees who do not participate in the pre-existing plan to participate in the Tennessee Consolidated Retirement System ("TCRS") in accordance with Tennessee Code Annotated, Title 8, Chapters 34 – 37, and to further authorize its current employees who participate in the pre-existing plan the choice of maintaining membership in the pre-existing plan or joining TCRS subject to TCRS' receipt of a favorable private letter ruling from the IRS allowing such choice.

WHEREAS, Tennessee Code Annotated, Title 8, Chapter 35, Part 2 provides that a political subdivision, which maintains a pre-existing defined benefit pension plan that is closed to new membership, may by resolution authorize its employees who do not participate in the pre-existing plan to participate in TCRS subject to the approval of the TCRS Board of Trustees; and

WHEREAS, Tennessee Code Annotated, Title 8, Chapter 35, Part 2 further provides that a political subdivision, which maintains a pre-existing defined benefit pension plan that is closed to new membership, may by resolution also authorize its employees who participate in the pre-existing pension plan the choice of maintaining membership in the pre-existing plan or joining TCRS; provided that allowing such choice meets all applicable state and federal requirements, including § 414(h) of the Internal Revenue Code (26 U.S.C. § 414(h)), that are necessary for TCRS to maintain its status as a qualified plan under the Internal Revenue Code; and

WHEREAS, pursuant to the provisions of Tennessee Code Annotated, Title 8, Chapters 34 – 37 and in accordance with the following terms and conditions, the Lenoir City Housing Authority
(Name of Political Subdivision)

("Political Subdivision") desires its employees who do not participate in the pre-existing plan to participate in TCRS subject to the approval of the TCRS Board of Trustees, and to offer its employees who participate in the pre-existing pension plan the choice of maintaining membership in the pre-existing plan or joining TCRS, subject to the approval of the TCRS Board of Trustees and subject to TCRS' receipt of a favorable private letter ruling from the IRS that such choice meets all applicable federal requirements, including § 414(h) of the Internal Revenue Code (26 U.S.C. § 414(h)), that are necessary for TCRS to maintain its status as a qualified plan under the Internal Revenue Code.

- A. TYPE PLAN. (CHECK BOX 1 OR BOX 2 OR BOX 3 OR BOX 4). The Political Subdivision adopts the following type plan:

- (1) ☒ Regular Defined Benefit Plan.
- (2) ☐ Alternate Defined Benefit Plan.
- (3) ☐ Local Government Hybrid Plan (If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees participating in the Plan and pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt. The defined contribution plan could provide for employer contributions of 0% to up to 7% of its employees' salaries).

- (4) ☐ State Employee and Teacher Hybrid Plan (If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees whereby the Political Subdivision makes a mandatory employer contribution on behalf of each of its employees participating in the Plan equal to 5% of the respective employee's salary subject to the cost controls and unfunded liability controls of the Plan. The Political Subdivision must also pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt).

Note: The Political Subdivision acknowledges and agrees that the plan being adopted herein is the same plan in which its employees who participate in the pre-existing plan will be offered the option to participate, subject to the preceding preambles and the terms and conditions of this Resolution.

B. EMPLOYEE CONTRIBUTIONS. The Employees shall contribute:

4 % of the employees' earnable compensation (The amount inserted MUST BE the same % rate as the employee contribution rate under the Political Subdivision's pre-existing defined benefit plan. NOTE: If the State Employee and Teacher Hybrid Plan is selected above and if the employee contribution rate is less than 5% of the employees' earnable compensation, the 4% employer contribution rate described in the Hybrid Plan will be increased by the difference between 5% and the employee contribution rate).

C. COST-OF-LIVING INCREASES FOR RETIREES. (CHECK BOX 1 OR BOX 2 – IF EITHER THE LOCAL GOVERNMENT, OR THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, COST-OF-LIVING INCREASES FOR RETIREES IN THOSE PLANS MUST BE GIVEN, SUBJECT TO ANY APPLICABLE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS AND BOX 2 MUST BE CHECKED). The Political Subdivision shall:

- (1) ☒ NOT provide cost-of-living increases for its retirees.
(2) ☐ PROVIDE cost-of-living increases for its retirees.

D. ELIGIBILITY OF PART-TIME EMPLOYEES. (CHECK BOX 1 OR BOX 2). The Political Subdivision shall:

- (1) ☒ NOT allow its part-time employees to participate in TCRS.
(2) ☐ ALLOW its part-time employees to participate in TCRS.

E. EFFECTIVE DATE. (COMPLETE ITEM 1). The effective date of this Resolution ("Effective Date") shall be on:

- (1) February 9 April 1, 2017 or on such later date as determined by the TCRS Board of Trustees, with respect to employees who do not participate in the pre-existing plan.
(2) The date TCRS receives a favorable private letter ruling from the IRS, with respect to the choice for employees who participate in the pre-existing plan to join TCRS.

F. PRIOR SERVICE CREDITED IN PRE-EXISTING PLAN. (CHECK BOX 1 OR BOX 2). For each employee employed with the Political Subdivision on the applicable Effective Date, the Political Subdivision shall with respect to prior service credited in the pre-existing plan:

- (1) ☐ NOT allow its employees to establish in TCRS any such prior service credit, but ALLOW its employees the choice of maintaining membership in the pre-existing plan, or joining TCRS on a prospective basis.
(2) ☒ ALLOW its employees the choice of maintaining membership in the pre-existing plan or joining TCRS and ALLOW its employees who join TCRS to establish the prior service credit in TCRS (NOTE: Any employee who desires to establish the prior service credit in TCRS must do so within six (6) months of the applicable Effective Date by making any required payment and by forfeiting the employee's right to any service credit in the pre-existing plan. Any employee who fails to make the election as provided above shall not later be eligible to establish the prior service).

IF Item F(2) is selected above, the Political Subdivision shall (CHECK AND COMPLETE BOX (A) OR BOX (B) OR BOX (C)):

(A) ☒ Purchase ALL years of prior service credit on behalf of its employees.

(B) ☐ Purchase NO years of prior service credit on behalf of its employees, but shall accept the unfunded liability should its employees establish ALL years of prior service.

(C) ☐ Purchase _____ years of prior service credit on behalf of its employees and accept the unfunded liability should its employees establish their remaining years of prior service credit.

G. PRIOR SERVICE NOT CREDITED IN PRE-EXISTING PLAN. (CHECK AND COMPLETE BOX 1 OR BOX 2 OR BOX 3 OR BOX 4 OR BOX 5). For each employee employed with the Political Subdivision on the applicable Effective Date who joins TCRS, the Political Subdivision shall with respect to prior service not credited in the pre-existing plan:

(1) ☒ Purchase ALL years of such prior service credit on behalf of its employees.

(2) ☐ Purchase NO years of prior service credit on behalf of its employees, but accept the unfunded liability should its employees establish ALL years of prior service.

(3) ☐ NOT allow its employees to establish any such prior service credit with the Political Subdivision.

(4) ☐ Purchase _____ years of prior service credit on behalf of its employees and accept the unfunded liability should its employees establish an additional _____ years of prior service credit.

(5) ☐ Purchase _____ years of prior service credit on behalf of its employees and no additional prior service credit may be established; and

H. MAXIMUM UNFUNDED LIABILITY. (COMPLETE THIS ITEM H ONLY IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE). For purposes of the cost control provisions of Tennessee Code Annotated, Section 8-36-922(d), the Political Subdivision defines "maximum unfunded liability" to mean an unfunded liability of no greater than _____

_____ ; and

WHEREAS, the liability for participation in TCRS and costs of administration shall be the sole responsibility of the Political Subdivision and not the State of Tennessee; and

WHEREAS, the Political Subdivision has passed (or will pass) a budget amendment appropriating the funds necessary to meet such liability; and

WHEREAS, the initial employer contribution rate shall be 19.19%, which is based on the estimated lump sum accrued liability of \$ 431,766.00

NOW, THEREFORE, BE IT RESOLVED That the Board of Commissioners
Lenoir City Housing Authority of
(Name of Governing Body)

Lenoir City Housing Authority
(Name of Political Subdivision) hereby authorizes all its employees in all its departments or

instrumentalities to become eligible to participate in TCRS in accordance with the above terms and conditions. It is acknowledged and understood that pursuant to Tennessee Code Annotated, Section 8-35-111 the Political Subdivision shall not make employer contributions to any other defined benefit plan on behalf of any employee who participates in TCRS pursuant to this Resolution. It is further acknowledged and understood that pursuant to Section 8-35-111 the Political Subdivision shall not make employer contributions to any defined contribution plans on behalf of any employee who participates in TCRS pursuant to this Resolution wherein the total combined employer contributions to such plans exceed 3% of the employee's salary, unless the Local Government

Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision for such employee. If either the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision, the Political Subdivision may make employer contributions to the defined contribution plan component of that Plan and to any one or more additional tax deferred defined contribution plans on behalf of such employee provided that the total combined employer contributions to such plans on behalf of the employee does not exceed 7% of the employee's salary.

STATE OF TENNESSEE

COUNTY OF LOUDON

I, David K. Martin ^{Chairman}, clerk of the Board of
Lenoir City Housing Authority Lenoir City
(Name of Governing Body) (County, City Town, etc.)

Tennessee, do hereby certify that this is a true and exact copy of the foregoing Resolution that was approved and adopted in accordance with applicable law at a meeting held on the 9th day of February, 2017, the original of which is on file in this office.

IN WITNESS WHEREOF, I have hereunto set my hand, and the seal of the Lenoir City Housing Authority
(Name of County, City, Town, etc.)

David K. Martin
As Clerk of the Board, as aforesaid
Chairman

Seal

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STATISTICAL REPORTS

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ANALYSIS OF MEMBERS ACTIVELY CONTRIBUTING

	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016
Group I Members:									
(State & Higher Ed.)	56,690	55,900	55,179	53,447	51,412	50,691	45,516	44,225	42,815
Highway Patrol					764	756	726	717	711
Wildlife Officers					191	191	190	191	188
Teachers	71,866	70,926	69,975	69,977	69,589	68,474	61,820	60,876	60,013
General Employees of Polisubs	84,905	85,061	85,531	87,163	80,580	81,199	73,655	73,734	73,821
Firemen & Policemen					7,358	7,446	7,040	7,108	7,233
General Assembly	115	115	113	114	111	111	103	103	98
County Officials	2	2	2	2	2	2	1	1	1
Board Members					439	435	392	386	395
County Judges	1	1	20	19	18	18	17	15	14
Attorneys General	623	617	617	621	619	608	574	571	506
Total Group I	214,202	212,622	211,437	211,343	211,083	209,931	190,033	187,984	185,795
Group II & Prior Class:									
Wildlife Officers	1	1	1	1	1				
Highway Patrol	1	1	1	1	1	1			
Firemen & Policemen-Political Subdivisions	10	10	10	9	8	10	10	11	11
Total Group II & Prior Class	12	12	12	11	10	11	10	11	11
Group III and Prior Class:									
State Judges	1	1	1	1	1	1	1	1	1
County Judges		1	1	1	1	1	1	1	1
Attorneys General	3	1	1	2	1	1	1	1	1
County Officials	3	2	2	2	2	2	2	2	2
Total Group III & Prior Class	7	5	5	6	5	5	5	5	5
Group IV									
State Judges	126	130	128	123	122	121	113	113	115
State & Teacher Hybrid Plan									
State	3,063	4,039	5,689	7,905	9,242	10,754	10,271	11,251	12,521
General Assembly	10	15	15	16	16	17	17	17	27
Teacher	6,067	6,355	6,189	11,205	11,967	12,229	11,142	14,560	15,291
Attorneys General, Judges	29	28	31	35	37	37	37	37	36
Political Subdivisions	66	80	85	189	349	453	474	673	711
Public Safety									178
Alcoa									43
Local Government Plans									
Alternate DB	13	14	14	24	30	35	25	30	34
Hybrid Plan W/O Cost Controls	63	81	92	125	179	207	173	194	217
Total Membership Contributing to TCRS	223,658	223,381	223,697	230,982	233,040	233,800	212,300	215,058	216,493
Teachers Contributing to ORP	11,683	10,662	10,632	10,290	10,043	9,763	9,609	9,586	8,830
Grand Totals	235,341	234,043	234,329	241,272	243,083	243,563	222,025	224,644	225,323

**RETIRED PAYROLL
STATISTICS
December 31, 2016**

	<u>AMOUNT</u>	<u># OF RETIREES</u>
STATE EMPLOYEES	60,815,669.07	45,414
STATE PAID JUDGES	1,030,014.76	212
COUNTY PAID JUDGES	291,787.90	77
ATTORNEY GENERALS	959,565.80	247
COUNTY OFFICIALS	378,688.73	173
PUBLIC SERVICE	8,721.68	4
POLITICAL SUBDIVISIONS	31,702,253.13	38,054
TEACHERS	101,619,160.91	49,013
LOCAL TEACHERS	3,261,042.39	1,742
GOVERNORS AND WIDOWS	31,280.00	5
AGED TEACHERS	515.98	4
OTHERS	<u>156,843.39</u>	<u>61</u>
TOTAL	\$200,255,543.74	135,006

RETIRED PAYROLL STATISTICS
October 1, 2016
THROUGH
December 31, 2016

	<u>AMOUNT</u>	<u># OF RETIREES</u>
STATE EMPLOYEES	\$182,169,954.58	45,414
STATE PAID JUDGES	\$3,076,553.04	212
COUNTY PAID JUDGES	\$877,877.83	77
ATTORNEY GENERALS	\$2,878,870.05	247
COUNTY OFFICIALS	\$1,105,845.23	173
PUBLIC SERVICE COMMISSIONERS	\$26,165.04	4
POLITICAL SUBDIVISIONS	\$94,546,471.54	38,054
TEACHERS	\$305,100,793.39	49,013
LOCAL TEACHERS	\$9,824,885.17	1,742
GOVERNORS AND WIDOWS	\$93,840.00	5
AGED TEACHERS	\$1,547.94	4
OTHERS	<u>\$463,640.60</u>	<u>61</u>
Total	\$600,166,444.41	135,006

NOTE: NINETY-NINE PERCENT (99%) OF THE RETIREES ARE ON DIRECT DEPOSIT

NUMBER OF MEMBERS REFUNDED

<u>Month</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
July	499	496	475	516	613	512	417
August	406	466	471	782	820	403	425
September	431	447	394	457	586	522	458
October	379	383	375	378	483	364	379
November	293	364	319	314	244	359	321
December	276	257	241	276	338	326	344
January	307	348	338	402	322	386	
February	265	312	335	310	238	351	
March	299	262	253	284	331	355	
April	277	346	311	424	338	347	
May	662	329	274	866	247	332	
June	406	339	336	674	383	336	
TOTAL	<u>4,500</u>	<u>4,349</u>	<u>4,122</u>	<u>5,683</u>	<u>4,943</u>	<u>4,593</u>	<u>2,344</u>

**REFUND EXPENDITURES
2016-2017 FISCAL YEAR**

MONTH	MEMBER'S CONTRIBUTIONS	414(H) CONTRIBUTIONS	MEMBER'S INTEREST	EMPLOYER CONTRIBUTIONS	DEATH PAYMENTS	TOTAL
July	21,332.26	2,712,550.18	923,930.33	56,742.24	138,448.17	\$3,853,003.18
August	78,814.85	3,592,116.13	1,167,734.13	47,813.62	454,668.06	\$5,341,146.79
September	21,543.90	3,063,254.35	1,045,483.50	108,020.41	555,234.52	\$4,793,536.68
October	79,588.64	2,752,333.15	956,283.62	18,083.41	489,692.65	\$4,295,981.47
November	21,985.45	2,015,115.75	695,252.25	18,241.20	445,606.37	\$3,196,201.02
December	33,441.74	1,999,240.85	685,297.58	21,796.06	277,824.67	\$3,017,600.90
January						
February						
March						
April						
May						
June						
TOTAL	256,706.84	16,134,610.41	5,473,981.41	270,696.94	2,361,474.44	\$24,497,470.04

PRIOR SERVICE ACTIVITY
October 1, 2016 through December 31, 2016

Legacy State:	Type of Service	No of Members	Years of Service	Amount
	Backpayment	1	2	\$ 17,098
	Military	-	-	-
	Redeposit	2	9	\$ 824
	Totals	3	11	\$ 17,922

Legacy Teachers:	Type of Service	No of Members	Years of Service	Amount
	Backpayment	4	2	\$ 12,161
	Military	-	-	-
	Redeposit	11	34	\$ 185,662
	Totals	15	36	\$ 197,823

Legacy Higher Education:	Type of Service	No of Members	Years of Service	Amount
	Backpayment	13	62	\$ 661,961
	Military	-	-	-
	Redeposit	1	2	10,016
	Totals	14	64	\$ 671,977

Legacy Political Subdivisions:	Type of Service	No of Members	Years of Service	Amount
	Backpayment	34	52	\$ 100,684
	Military	-	-	\$ -
	Redeposit	10	34	\$ 105,822
	Totals	44	86	\$ 206,506

Grand Totals:	Type of Service	No of Members	Years of Service	Amount
	Backpayment	52	118	\$ 791,904
	Military	-	-	-
	Redeposit	24	79	302,324
	Totals	76	197	\$ 1,094,228

DISABILITY RETIREMENT REPORT

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Disability Statistical Report

Second Quarter 16-17

Disability Applications Received	October		28
	November		26
	December		<u>20</u>
		TOTAL	74
Initial Claims Approved	October		14
	November		20
	December		<u>12</u>
		TOTAL	46
Initial Claims Disapproved	October		09
	November		06
	December		<u>10</u>
		TOTAL	25
Initial Claims Approved after Reconsideration			05
Initial Claims Disapproved after Reconsideration			03
Re-Evaluation Claims Approved			36
Re-Evaluation claims Disapproved			01

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**APPROVED FOR DISABILITY
SECOND QUARTER
2016-2017**

Type	Re-E	Re-C	Age	Employer	Position	SVC	AFC	OPT	MO. BEN.	DISABILITY SUMMARY
ORD.	YES	NO	49	STATE	CLERK	24	\$36,988	N/A	N/A	AGORAPHOBIA W/ PANIC ATTACKS/ ANXIETY & DEPRESSION
ORD.	YES	NO	50	POL SUB	MECHANIC	17	\$35,938	REG. MAX	\$849	RECURRENT INOPERABLE RT. ROTATOR CUFF TEAR
ORD.	YES	YES	51	TEACHER	TEACHER	12	\$47,622	REG. MAX	\$1,125	BREAST CANCER/ SLEEP APNEA/NARCOLEPSY/DIABETES/HYPERTENSION/ ARTHRITIS
ORD.	YES	NO	46	TEACHER	TEACHER	12	\$50,473	REG. MAX	\$1,192	ESRD/DM/HTN
ORD.	NO	NO	52	POL SUB	CUSTODIAN	9	\$27,428	D	\$513	HISTOPLASMOSIS IN BOTH EYES/ DEPRESSION/ ANXIETY
SS-ORD	YES	NO	50	STATE	RECREATION THERAPIST 2	29	\$39,765	REG. MAX	\$1,373	DM/BACK PAIN/URGE INCONTINENCE/URETHRAL STENOSIS
ORD.	YES	NO	48	STATE	LEGAL ASSISTANT	13	\$40,702	B	\$899	RHEMATOID ARTHRITIS/ JOINT PAINS/ FATIGUE/
SS-ORD	NO	NO	57	TEACHER	TEACHER	25	\$43,905	REG. MAX	\$1,318	SEVERE BACK AND NECK PAIN/ CERVICAL SPINAL SPONDYLOSIS

**APPROVED FOR DISABILITY
SECOND QUARTER
2016-2017**

Type	Re-E	Re-C	Age	Employer	Position	SVC	AFC	OPT	MO. BEN.	DISABILITY SUMMARY
ORD.	YES	NO	51	STATE	CHIEF BROADCAST ENGINEER	18	\$59,420	D	\$1,224	CIRRHOSIS OF THE LIVER/ STAGE IV LIVER DISEASE/ASCITES
SS-ORD	NO	NO	55	POL SUB	MECHANIC	8	\$31,118	REG. MAX	\$502	OA, RT ANKLE/FUSION
SS-ORD	YES	NO	44	TEACHER	TEACHER	10	\$52,522	REG. MAX	\$1,240	DERMATOMYOSITIS WITH RECENT EXACERBATION OF S/S.
ACC.	YES	NO	45	TEACHER	PRINCIPAL	21	\$81,520	C	\$3,437	PARAPLEGIA
SS-ORD	NO	NO	52	STATE	THERAPIST	14	\$35,385	D	\$749	STROKE/ HEMIPARESIS/ HTN
ORD.	NO	NO	55	POL SUB	HEAVY EQUIP OPERATOR	27	\$43,037	D	\$1,207	CERVICAL SPONDYLOSIS/ CERVICAL STENOSIS/ CERVICAL DISC HERNIATION
ORD.	NO	NO	55	POL SUB	DIRECTOR	23	\$49,457	REG. MAX	\$1,358	THALAMIC HEMORRHAGIC STROKE/ HYPERTENSION/ DIABETES/ DIABETIC NEUROPATHY
SS-ORD	YES	NO	54	TEACHER	TEACHER	25	\$70,464	REG. MAX	\$2,143	MULTIPLE MYELOMA, DIABETES MELLITUS

**APPROVED FOR DISABILITY
SECOND QUARTER
2016-2017**

Type	Re-E	Re-C	Age	Employer	Position	SVC	AFC	OPT	MO. BEN.	DISABILITY SUMMARY
SS-ORD	YES	NO	45	TEACHER	SCHOOL COUNSELOR	15	\$65,598	REG. MAX	\$1,549	METASTATIC PROSTATE CANCER TO THE BONES
ORD.	YES	YES	48	POL SUB	DEPUTY SHERIFF	13	\$40,244	D	\$894	MVA/ ANXIETY/ DEPRESSION/ BROKEN LEG
ORD.	YES	NO	51	POL SUB	HEALTH TECHNICIAN	13	\$21,324	B	\$459	METASTATIC SMALL INTESTINE JEJUNAL CANCER
ORD.	NO	NO	55	POL SUB	TEACHER ASSISTANT	13	\$21,328	REG. MAX	\$459	SEVERE ANXIETY AND DEPRESSION
ORD.	NO	NO	50	TEACHER	TEACHER	23	\$46,711	N/A	DECEASED	CHRONIC KIDNEY DISEASE
ORD.	NO	NO	58	POL SUB	EQUIPMENT OPERATOR	18	\$32,064	B	\$641	B-CELL NON-HODGKIN LYMPHOMA
ORD.	NO	NO	57	TEACHER	TEACHER	12	\$41,942	REG. MAX	\$734	MYELOPATHY, SPINAL STENOSIS, FACET DISEASE, CHRONIC NECK PAIN
ORD.	YES	NO	43	STATE	HABILITATION TECH	19	\$35,242	B	\$766	CHF/ CARDIOMYOPATHY/ HYPERTENSION

**APPROVED FOR DISABILITY
SECOND QUARTER
2016-2017**

Type	Re-E	Re-C	Age	Employer	Position	SVC	AFC	OPT	MO. BEN.	DISABILITY SUMMARY
INACT	NO	NO	49	STATE	CORRECTIONAL OFFICER	18	\$29,215	REG. MAX	\$690	GLAUCOMA/ DIABETIC RETINOPATHY/ LEGAL BLINDNESS
SS-ORD	NO	NO	55	POL SUB	CIRCULATION SUPERVISOR	5	\$31,768	B	\$327	BILATERAL HIP PAIN/ BILATERAL HAND TREMOR/ CHRONIC LUMBAR PAIN
SS-ORD	YES	NO	39	TEACHER	TEACHER	8	\$40,620	B	\$951	RELAPSING MULTIPLE SCLEROSIS/ CHRONIC FATIGUE/ COGNITIVE IMPAIRMENT
ORD.	YES	NO	51	STATE	SECRETARY	20	\$30,599	REG. MAX	\$731	BIPOLAR MIXED WITH PSYCHOTIC FEATURES, TYPE 1 DIABETES MELLITUS
ORD.	NO	NO	56	STATE	STEWARD 2	25	\$32,992	B	\$895	END STAGE RENAL DISEASE/ MORBID OBESITY/ DEPRESSION
ORD.	NO	NO	56	STATE	ACCT. CLERK II	16	\$29,544	REG. MAX	\$697	ANXIETY, DEPRESSION
ORD.	YES	NO	51	POL SUB	DEPUTY	15	\$34,522	REG. MAX	\$816	GUN SHOT WOUND WITH COMPLETE SPINAL CORD INJURY
ORD.	NO	YES	53	TEACHER	TEACHER	20	\$57,837	REG. MAX	\$1,372	OSTEOARTHRITIS IN KNEES/ SEVERE DEGENERATIVE DISC DISEASE IN KNEES/ M. OBESITY

**APPROVED FOR DISABILITY
SECOND QUARTER
2016-2017**

Type	Re-E	Re-C	Age	Employer	Position	SVC	AFC	OPT	MO. BEN.	DISABILITY SUMMARY
ORD.	YES	NO	57	TEACHER	TEACHER	9	\$50,047	REG. MAX	\$753	FIBROMYALGIA, OA/SPINAL STENOSIS
SS-ORD	NO	NO	58	TEACHER	TEACHER	15	\$43,172	D	\$748	PARAPLEGIA/ DIABETIC NEUROPATHY/ HYPERTENSION
ORD.	YES	NO	50	POL SUB	CAFETERIA MANAGER	13	\$24,276	REG. MAX	\$573	CONGESTIVE HEART FAILURE, CORONARY ARTERY DISEASE, DIABETES MELLITUS
INACT	YES	YES	54	STATE	ADMIN ASSISTANT	6	\$22,771	LUMP SUM	\$9,026	BIPOLAR DISORDER/ COPD/ HEP C/ HX OF ALCOHOL ABUSE
ORD.	YES	NO	45	POL SUB	OFFICE SUPERVISOR	12	\$30,481	REG. MAX	\$720	LUMBAR SPINE SPONDYLOSIS, CIRRHOSIS, DIABETES, DEPRESSION
ORD.	YES	YES	48	POL SUB	PATROL LIEUTENANT	23	\$41,471	REG. MAX	\$1,143	COPD/ DYSPHAGIA/ RHEUMATOID ARTHRITIS
SS-ORD	NO	NO	56	POL SUB	PATROLMAN	9	\$41,220	D	\$550	MVA/ CRUSHED FOOT/ MIDFOOT ARTHRITIS/
ORD.	YES	NO	48	TEACHER	TEACHER	20	\$40,887	REG. MAX	\$965	ANOXIC BRAIN INJURY, VENTRICULAR ABLATION

**APPROVED FOR DISABILITY
SECOND QUARTER
2016-2017**

Type	Re-E	Re-C	Age	Employer	Position	SVC	AFC	OPT	MO. BEN.	DISABILITY SUMMARY
SS-ORD	NO	NO	55	POL SUB	CAFETERIA MANAGER	23	\$26,464	REG. MAX	\$732	CHRONIC PAIN SYNDROME/BILATERAL UPPER EXTREMITY WEAKNESS
ORD.	YES	NO	51	TEACHER	TEACHER	28	\$41,696	B	\$1,276	DIABETES MELLITUS/ AORTIC STENOSIS/ CHRONIC KNEE PAIN
ORD.	YES	NO	45	STATE	LAW CLERK	14	\$68,341	REG. MAX	\$1,614	TOXIC OPTIC NEUROPATHY, SEVERE CONSTRUCTION OF VISION
ORD.	YES	NO	48	STATE	MANAGER	6	\$47,775	REG. MAX	\$1,072	PTSD/ FIBROMYALGIA/ DEPRESSION/ ANXIETY
ORD.	NO	NO	56	STATE	CLERK	6	\$19,509	REG. MAX	\$230	DM/ VISUAL IMPAIRMENT/ ESRD
ORD.	NO	NO	56	POL SUB	CREW CHIEF	11	\$41,829	D	\$652	ANKLE ARTHRITIS/ OA/ PTSD
ORD.	YES	NO	38	STATE	CORRECTIONAL OFFICER	14	\$28,616	REG. MAX	\$676	SACRAL RADICULOPATHY/ LEG WEAKNESS/ URINARY RETENTION
INACT.	NO	NO	51	STATE	DRIVER LICENSE EXAMINER	6	\$16,211	LUMP SUM	\$5,486	BILATERAL MENIERES DISEASE/ HEARING LOSS

**DISAPPROVED FOR DISABILITY
SECOND QUARTER
2016-2017**

Type	Re-C	Age	Employer	Position	SVC	Disability Summary	Reason Denied
ORD. YES		54	STATE	TEACHER	14	DM/ BLINDNESS IN LT. EYE	SEDENTARY WORK IS POSSIBLE
ORD. NO		52	TEACHER	TEACHER	18	LT. FEMUR FRACTURE/ MVA W/ MULTIPLE FRACTURES	SEDENTARY WORK IS POSSIBLE
ORD. NO		53	TEACHER	TEACHER	20	OSTEOARTHRITIS IN KNEES/ SEVERE DEGENERATIVE DISC DISEASE IN KNEES	SEDENTARY WORK IS POSSIBLE
ORD. NO		40	POL SUB	DRIVER	15	MORBID OBESITY/ CHRONIC KIDNEY DISEASE STAGE III/ DIABETES/ HTN	SEDENTARY WORK IS POSSIBLE
ORD. NO		53	POL SUB	PATROL SERGEANT	28	TRANSIENT ISCHEMIC ATTACK/ HYPERTENSION/ DEPRESSION & ANXIETY	CAPABLE OF LIGHT WORK
ORD. NO		58	STATE	PSY TECH	17	PULMONARY INFARCTION/ COPD/ DIASTOLIC DYSFUNCTION/ PE	CAPABLE OF SEDENTARY TO LIGHT WORK
ORD. NO		49	TEACHER	PRINCIPAL	21	ACUTE KIDNEY INJURY/ CIRRHOSIS OF THE LIVER ALCOHOL INDUCED	SEDENTARY WORK POSSIBLE
ORD. NO		54	STATE	MANAGER	11	CERVICAL STENOSIS/ BULGING DISK/ DEPRESSION & ANXIETY	LIMITED TO LIGHT AND SEDENTARY WORK
ORD. NO		48	POL SUB	AEMT	16	MEMBRANOUS NEPHRITIS/ DM/ EDEMA OF LOWER EXTREMITIES	CAPABLE OF LIGHT WORK
ORD. NO		49	TEACHER	TEACHER	15	EPILEPSY/ DEPRESSIVE D/O/ GENERALIZED ANXIETY/ PTSD	PT. IS CAPABLE OF LIGHT ACTIVITY
ORD. YES		54	POL SUB	MAINTENANCE WORKER	17	MYASTHENIA GRAVIS/ GENERALIZED MUSCLE WEAKNESS/ LOW BACK PAIN	CAPABLE OF SEDENTARY WORK
ORD. YES		52	POL SUB	DEPUTY REGISTRAR	12	LOW BACK PAIN/ NECK PAIN/ FIBROMYALGIA/ DEPRESSION	PATIENT LIKELY TO RECOVER IN 6 WEEKS
ORD. YES		38	TEACHER	TEACHER	5	BILATERAL CARPAL TUNNEL SYNDROME, PARASTHESIA	PATIENT IS EXPECTED TO SEE IMPROVEMENTS BY 2017.

**DISAPPROVED FOR DISABILITY
SECOND QUARTER
2016-2017**

Type	Re-C	Age	Employer	Position	SVC	Disability Summary	Reason Denied
ORD. NO		51	STATE	LABOR & WORKFORCE	10	PTSD/ DEPRESSIVE DISORDER/ ANXIETY/ DJD/ CHRONIC PAIN	CAPABLE OF SEDENTARY WORK
ORD. NO		50	TEACHER	TEACHER	13	PTSD/ DEPRESSIVE DISORDER/ ANXIETY/ DJD/ CHRONIC PAIN	SEDENTARY WORK POSSIBLE
ORD. NO		35	POL SUB	SPECIAL ED ASSISTANT	14	PTSD/ DEPRESSIVE DISORDER/ ANXIETY/ DJD/ CHRONIC PAIN	SEDENTARY WORK POSSIBLE
INAC T. NO		57	STATE	AGENT II	5	PTSD/ DEPRESSIVE DISORDER/ ANXIETY/ DJD/ CHRONIC PAIN	CAPABLE OF LIGHT WORK
ORD. NO		41	TEACHER	TEACHER	7	PTSD/ DEPRESSIVE DISORDER/ ANXIETY/ DJD/ CHRONIC PAIN	CAPABLE OF LIGHT TO SEDENTARY WORK
ORD. NO		57	POL SUB	CAFETERIA MANAGER	21	PTSD/ DEPRESSIVE DISORDER/ ANXIETY/ DJD/ CHRONIC PAIN	LIGHT TO POSSIBLE SEDENTACTIVITY APPEARS POSSIBLE.
ORD. NO		31	TEACHER	TEACHER	5	PTSD/ DEPRESSIVE DISORDER/ ANXIETY/ DJD/ CHRONIC PAIN	LIMITED TO SEDENTARY WORK

FINANCIAL STATEMENTS

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TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
AS OF DECEMBER 31, 2016

ASSETS

Cash and Cash Equivalents	\$55,752,519.39
Receivables	
Member receivable	1,051,105.44
Employer receivable	1,077,416.19
	<hr/>
Total receivables	2,128,521.63
	<hr/>
Investments, at fair value	
Tennessee Retiree Group Trust	43,896,048,142.29
Capital Assets (net)	28,034,007.79
	<hr/>
TOTAL ASSETS	<hr/> 43,981,963,191.10 <hr/>

LIABILITIES

Retiree insurance premium payable	8,764,585.61
Accounts Payable	18,137,946.03
	<hr/>
TOTAL LIABILITIES	<hr/> 26,902,531.64 <hr/>
NET POSITION RESTRICTED FOR PENSIONS	<hr/> \$43,955,060,659.46 <hr/>
	<hr/> 0.00 <hr/>

See Accompanying Notes to the Financial Statements

UNAUDITED

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2016**

ADDITIONS

Contributions	
Member contributions	\$121,294,100.89
Employer contributions	430,437,625.84
Other contributions	1,219,853.93
Total contributions	<u>552,951,580.66</u>
Investment income	
Total investment income	1,343,101,073.29
Less: Investment expense	(35,272,598.67)
Net income (loss) from investing activities	<u>1,307,828,474.62</u>
Securities lending activities	
Securities lending income	27,173,502.88
Less: securities lending expense	(14,558,974.73)
Net income from securities lending activities	<u>12,614,528.15</u>
Net investment income	<u>1,320,443,002.77</u>
TOTAL ADDITIONS	<u>1,873,394,583.43</u>

DEDUCTIONS

Annuity benefits	1,200,211,144.85
Death benefits	2,340,441.18
Refunds	19,108,855.12
Administrative expenses	2,882,783.58
TOTAL DEDUCTIONS	<u>1,224,543,224.73</u>

NET INCREASE	648,851,358.70
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NET POSITION RESTRICTED FOR PENSIONS

BEGINNING OF YEAR	<u>43,306,209,300.76</u>
END OF YEAR	<u><u>\$43,955,060,659.46</u></u>

See Accompanying Notes to the Financial Statements

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UNAUDITED

Tennessee Consolidated Retirement System
Notes to Financial Statements
December 31, 2016

The Tennessee Consolidated Retirement System (TCRS) is a public employee retirement system comprised of defined benefit pension plans covering Tennessee state employees, employees of the state's higher education systems, teachers, and employees of political subdivisions in Tennessee. The TCRS was established in 1972 by a statutory enactment of the Tennessee General Assembly. The provisions of the TCRS are codified in *Tennessee Code Annotated* Title 8, Chapters 34-37. In accordance with Tennessee Code Annotated Title 8, Chapter 34, Section 202, all funds invested, securities, cash, and other property of the TCRS are held in trust and can be expended only for the purposes of the trust. Although the assets for all pension plans within the TCRS are commingled for investment purposes, the assets of each separate plan may legally be used only for the payment of benefits to the members of that plan and for its administration, in accordance with the terms of the plan.

A: Summary of Significant Accounting Policies

Reporting entity: The TCRS is included in the State of Tennessee financial reporting entity. Because of the state's fiduciary responsibility, the TCRS has been included as a pension trust fund in the *Tennessee Comprehensive Annual Financial Report*.

Effective July 1, 2015, all assets of TCRS were transferred to the Tennessee Retiree Group Trust (TRGT) for pooling with other assets in custody of the Treasurer for investment purposes. The TRGT is included in the State of Tennessee financial reporting entity. Because of the state's fiduciary responsibility, the TRGT has been included as an investment trust fund in the *Tennessee Comprehensive Annual Financial Report*.

Measurement focus and basis of accounting: The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements have been prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred regardless of the timing of related cash flows.

Plan member and employer contributions are recognized in the period of time for which they are due, in accordance with legal provisions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Cash and cash equivalents: Cash and cash equivalents includes cash, short-term investments with a maturity date within three months of the acquisition date, cash management pools, and cash invested in a short-term, open-end mutual fund under the contractual arrangement for master custody services. Cash received by the TCRS, that cannot be invested immediately in securities or is needed for operations, is invested in the State Pooled Investment Fund sponsored by the State of Tennessee and administered by the State Treasurer.

Method used to value investments: All investments are held by the TRGT and are reported at fair value. For detailed information on the TRGT, see the *State of Tennessee Treasurer's Report* for the fiscal year ended June 30, 2016.

Capital assets: Capital assets consist of internally generated computer software, reported at historical cost less any applicable amortization. Capital assets are defined by the state as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of two years. The computer software was valued at \$31.7 million at year end and is being amortized using the straight line method over the ten year estimated life of the system. The amortization expense for the current year was \$3.7 million.

B: Plan Descriptions

Plan administration: The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS.

At December 31, 2016, there were three defined benefit pension plans within the TCRS. The Public Employee Retirement Plan is an agent, multiple-employer defined benefit pension plan for state government employees and for political subdivisions electing to participate in the TCRS. The Teacher Legacy Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan for teachers of local education agencies (LEAs). The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost sharing, multiple employer defined benefit pension plan.

The general administration and responsibility for proper operation of the TCRS plans are vested in a 20 member Board of Trustees, consisting of 18 voting members and two non-voting members. The Board has nine ex-officio members, two of whom are non-voting. The seven voting ex-officio members are the State Treasurer, Secretary of State, Comptroller of the Treasury, Commissioner of Finance and Administration, Commissioner of Human Resources, Director of the TCRS, and the Administrative Director of the Courts. The two non-voting ex-officio members are the chair and vice-chair of the Legislative Council on Pensions and Insurance.

Three active teacher members, one from each grand division of the state, and a retired teacher member are selected for three year terms by the Speaker of the House of Representatives and the Speaker of the Senate. Two active state employee members, who are from departments other than those represented by ex-officio members, are elected by state employees for three year terms. A board member is appointed for a two year term by each of the following organizations: Tennessee County Services, Tennessee Municipal League, and the Tennessee County Officials Association. Two members, a public safety employee and a retired state employee, are appointed by the Governor for two year terms. All members must be vested members of the TCRS, except for ex-officio members.

Plan membership: At June 30, 2016 the membership of the pension plans consisted of the following:

	Employee Retirement	Retirement Plan	Teacher Legacy Pension Plan	Total
Inactive plan members or beneficiaries currently receiving benefits	94,702	-	47,979	142,681
Inactive employees entitled to but not yet receiving benefits	107,423	540	30,259	138,222
Active plan members	134,859	5,524	69,125	209,508
Total membership	336,984	6,064	147,363	490,411
Number of participating employers	536	205	205	741

Membership above includes all plans whether open or closed.

Benefits provided: The TCRS provides retirement, disability, and death benefits. The benefits of the TCRS are established by state law (Tennessee Code Annotated, Title 8, Chapters 34-37). In general, the benefits may be amended prospectively by the General Assembly for employees becoming members of the TCRS after June 30, 2014. Amendments of benefits for employees becoming members before July 1, 2014 can be restricted by precedent established by the Tennessee Supreme Court.

Teacher Legacy Pension Plan

Members of the Teacher Legacy Pension Plan are eligible to retire at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Plan members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent.

Teacher Retirement Plan

Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 where age and years of service total 90. Plan members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. The Teacher Retirement Plan includes provisions to control employer contributions and unfunded liabilities. As such, plan provisions are automatically changed when employer contributions and unfunded liabilities exceed statutory limits.

Public Employee Retirement Plan

For state employees, there are two major tiers of benefits and eligibility requirements. State employees becoming members before July 1, 2014 are eligible to retire at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. State employees becoming members after June 30, 2014 are eligible to retire at age 65 with five years of service or pursuant to the rule of 90 where age and years of service total 90. Plan members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic COLAs after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the CPI during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. There are additional classes of employees that include state judges, elected members of the general assembly, and public safety officers which have different benefit structures and eligibility requirements. These classifications represent an immaterial percentage of the state employee membership.

For political subdivision employees, there are various tiers of benefits and eligibility requirements. Each political subdivision adopts the benefit structure that the entity provides to its employees. Unreduced service retirement benefits are determined using a multiplier of the member's highest 5 consecutive year average compensation

multiplied by the member's years of service credit. Plan members are eligible for service related disability benefits regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. If adopted as a benefit provision by the political subdivision, member and beneficiary annuitants are entitled to automatic COLAs after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the CPI during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. There are additional classes of employees, local judges, elected officials, and public safety officers, which may have different benefit structures and eligibility requirements. These classifications represent an immaterial percentage of the political subdivisions' membership.

Contributions: Pursuant to *Tennessee Code Annotated* Title 8, Chapter 37, the Board of Trustees adopted an actuarially determined contribution (ADC) for each participating employer, as recommended by an independent actuary following an actuarial valuation.

For the Teacher Legacy Pension Plan, LEAs are required by statute to contribute the ADC. The ADC is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, the unfunded accrued liability, and the cost of administration. Teachers are required by statute to contribute 5 percent of salary. For the year ended June 30, 2016, the required ADC for LEAs was 9.04 percent of covered-employee payroll.

For the Teacher Retirement Plan, LEAs are required by statute to contribute greater of the ADC or 4 percent. The ADC is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, the unfunded accrued liability, and the cost of administration. Teachers are required by statute to contribute 5 percent of salary. For the year ended June 30, 2016, the required ADC for LEAs was 2.5 percent of covered-employee payroll while actual contributions were 4 percent of covered-employee payroll.

For the Public Employee Retirement Plan, each governmental entity is required by statute to contribute the ADC except that the contribution rate for state employees hired after June 30, 2014 is the greater of the ADC or 4 percent. The ADC is the estimated amount necessary to finance the costs of benefits earned by plan members during the plan year, the unfunded accrued liability, and the cost of administration. For the year ended June 30, 2016, the required ADC varied for each participating employer, with approximately fifty percent of all employer rates between eight (8) percent and twenty (20) percent and contributions from these same employers accounting for over ninety percent of the contributions for this plan. By statute, state employees hired before July 1, 2014 are noncontributory while employees hired after June 30, 2014 contribute 5 percent of salary. As adopted by the governmental entity, political subdivision employees may be noncontributory, contribute 2.5 percent of salary, or contribute 5 percent of salary.

Reserves: The statute governing the Teacher Retirement Plan and certain employers in the Public Employee Retirement Plan provide for a minimum employer contribution rate of 4 percent. The statute further provides that the amount of the employer contributions in excess of the actuarially determined contribution rate is deposited into a stabilization reserve for each plan. The statute may be amended by the Tennessee General Assembly. Assets in the stabilization reserve are commingled for investment purposes and receive a pro rata share of investment earnings. The amount in the stabilization reserve is not considered in calculating the actuarially determined employer contribution rate for each plan. The statute provides that the assets in the stabilization reserve will be utilized should the actuarially determined contribution rate exceed 4 percent. In such case, the required employer contribution in excess of 4 percent will be transferred from the stabilization reserve to the account of the Teachers Retirement Plan or certain Public Employee Retirement Plan employers. By statute, the Board of Trustees may adopt a policy to suspend the deposits into the stabilization reserve in any given year when the stabilization reserve reaches a certain level that is determined by the Board. If deposits are suspended, then the employer contribution will be the actuarially determined contribution rate for that year rather than the higher 4 percent. The Board has not adopted a policy at this time. At June 30, 2016, there was \$9,991,123 in the stabilization reserve on behalf of the Teachers Retirement Plan and \$7,831,567 in the various stabilization reserves on behalf of the Public Employee Retirement Plan.

C: Deposits and Investments

Statutory Authority: Effective July 1, 2015, state statute authorizes the TCRS to invest in the State of Tennessee Retiree Group Trust (TRGT). TRGT is located and administered by State of Tennessee Treasury Department. The assets of TCRS and any other trust the state Treasurer deems eligible will be pooled and invested in the TRGT. All assets will be kept separate and will be for the exclusive benefit of the individual plan. Each of the trusts invested in TRGT has equity in TRGT based on funds contributed and earnings allocated. Earnings of TRGT are allocated monthly based on the number of shares owned by each participant. For financial statement purposes, TRGT presents a separate financial statement from the participating trusts. The investment policy of the TRGT and all required disclosures related to investments can be found in the *State of Tennessee Treasurer's Report*.

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TENNESSEE RETIREE GROUP TRUST
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2016

ASSETS

Cash and cash equivalents	\$ 460,590,572.85
Cash collateral for securities on loan	4,686,428,287.00
Receivables	
Investment income receivable	113,024,242.00
Derivative instruments receivable	133,107,108.94
Investments sold	22,291,345.77
Total receivables	<u>268,422,696.71</u>
Investments at fair value	
Government securities	7,997,403,423.15
Corporate securities	4,700,833,326.23
Corporate stocks	23,541,815,180.78
Strategic lending	1,680,548,069.66
Private equities	1,657,523,006.00
Real estate	3,903,991,010.80
Total investments	<u>43,482,114,016.62</u>
TOTAL ASSETS	<u>48,897,555,573.18</u>

LIABILITIES AND NET POSITION

LIABILITIES

Investments purchased	61,840,644.51
Other investments payables	6,624,199.19
Derivative instrument payable	127,427,709.34
Cash collateral for securities on loan	4,686,428,287.00
TOTAL LIABILITIES	<u>4,882,320,840.04</u>

**NET POSITION HELD IN TRUST FOR
POOL PARTICIPANTS**

\$ 44,015,234,733.14

See Accompanying Notes to the Financial Statements

UNAUDITED

TENNESSEE RETIREE GROUP TRUST
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2016

OPERATIONS

INVESTMENT INCOME

Net appreciation in fair value of investments	\$ 856,616,102.95
Income on securities	501,107,986.65
Total investment income	<u>1,357,724,089.60</u>
Less: investment expense	<u>18,988,008.14</u>
Net income (loss) from investing activities	1,338,736,081.46

Securities lending activities

Securities lending income	27,191,388.18
Less: securities lending expense	<u>14,568,557.29</u>
Net income from securities lending activities	<u>12,622,830.89</u>

NET INVESTMENT INCOME	<u>1,351,358,912.35</u>
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ADMINISTRATIVE REVENUE

Administrative Fees	35,291,218.16
Less: administrative expenses	<u>(28,832,190.01)</u>
NET ADMINISTRATIVE REVENUE	<u>6,459,028.15</u>

CAPITAL SHARE TRANSACTIONS

Net shares sold	796,932,544.31
Net shares redeemed	<u>1,348,855,549.39</u>
TOTAL DECREASE FROM CAPITAL SHARE TRANSACTIONS	<u>(551,923,005.08)</u>

NET INCREASE IN FIDUCIARY NET POSITION	<u>805,894,935.42</u>
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NET POSITION RESTRICTED FOR PARTICIPANTS

NET POSITION, BEGINNING OF PERIOD	<u>43,209,339,797.72</u>
NET POSITION, END OF PERIOD	<u><u>\$ 44,015,234,733.14</u></u>

See Accompanying Notes to the Financial Statements

UNAUDITED

Tennessee Retiree Group Trust
Notes to Financial Statements
December 31, 2016

A: Summary of Significant Accounting Policies

Reporting entity: The Tennessee Retiree Group Trust (TRGT) is an external investment pool sponsored by the State of Tennessee. The external portion of the TRGT consists of funds belonging to entities outside of the State of Tennessee Financial Reporting Entity, and has been included as a separate investment trust fund in the *Tennessee Comprehensive Annual Financial Report*. The internal portion, consisting of funds belonging to the State and its component units, has been included in the various participating funds and component units in the *Tennessee Comprehensive Annual Financial Report*.

Measurement focus and basis of accounting: The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements have been prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred regardless of the timing of related cash flows.

Cash and cash equivalents: Cash and cash equivalents includes cash and short-term investments with a maturity date within three months of the acquisition date. Cash management pools are included as cash. Cash received that cannot be immediately invested in securities, or that is needed for operations, is invested in either the State Pooled Investment Fund sponsored by the State of Tennessee and administered by the State Treasurer or in the State Street Government Money Market Fund, a short-term, open-end mutual fund under the contractual arrangement for master custody services.

Method used to report investments and participant shares: The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, the State had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on trade-date basis.

B: Deposits and Investments

Statutory Authority: The Tennessee Retiree Group Trust (TRGT) was established in 2015 by a statutory enactment of the Tennessee General Assembly. The provisions of the TRGT are codified in *Tennessee Code Annotated* (TCA) Title 8, Chapters 34-37. Pursuant to this statute the Tennessee Consolidated Retirement System (TCRS) and its board of directors with the State Treasurer (Treasurer) as custodian, authorized by TCA 8-37-104 adopted this group trust for the purpose of pooling funds of TRGT with other assets in the custody of the Treasurer, solely for investment purposes. The assets invested consist exclusively of assets of exempt pension and profit sharing trusts and individual retirement accounts, custodial accounts, retirement income accounts, governmental plans and tax-exempt trusts under the Internal Revenue Code of 1986 and Rev. Rul. 81-100, as modified by Rev. Ruls. 2004-67, 2008-40 and 2011-1 (referred to herein as "Retirement

Assets"). The Custodian shall be responsible for the managing and directing the investment of the Group Trust Funds in the same manner as it invests funds of the TCRS.

The TRGT is authorized to invest in securities in accordance with the investment policy of the TCRS. That policy allows the Trust to invest in bonds, debentures, preferred stock and common stock, real estate and in other good and solvent securities subject to the approval of the Board of Trustees, but further subject to the following statutory restrictions and provisions:

- a. The total sum invested in common and preferred stocks shall not exceed seventy-five percent (75 percent) of the total of the funds of the trust.
- b. The total sum invested in notes and bonds or other fixed income securities exceeding one year in maturity shall not exceed seventy-five percent (75 percent) of the total funds of the trust.
- c. Within the restrictions in (a) and (b) above, an amount not to exceed twenty-five percent (25 percent) of the total of the funds of the retirement system may be invested in securities of the same kinds, classes, and investment grades as those otherwise eligible for investment in various approved foreign countries, provided that such percentage may be increased by the board with the subsequent approval of the council on pensions and insurance.
- d. Within the restrictions in (a) and (b) above, funds may be invested in Canadian securities which are substantially of the same kinds, classes and investment grades as those otherwise eligible for investment.
- e. The total amount of securities loaned under a securities lending program cannot exceed thirty percent (30 percent) of total assets.
- f. The total sum invested in real estate shall not exceed ten percent (10 percent) of the market value of total assets.
- g. The total sum invested in private equities shall not exceed ten percent (10 percent) of the market value of total assets.

State statute also authorizes the TRGT to invest in forward contracts to hedge its foreign currency exposure and to purchase or sell domestic equity index futures contracts for the purpose of asset allocation relating to the domestic equity portfolio. The total amount of the financial futures contract obligation shall not exceed ten percent (10 percent) of the market value of the TRGT's total assets. Gross exposure to approved fixed income financial instruments will be limited to ten percent (10 percent) of the market value of the Trust's total assets for risk mitigating positions and 10 percent (10 percent) for risk positions. Position sizes will be measured by notional amounts. Options will be measured in their notional equivalents.

Investment policy: The TRGT investment authority is established pursuant to Tennessee Code Annotated Title 8, Chapter 37. The statute provides the Board of Trustees with the responsibility to establish the investment policy of the TRGT. The investment policy may be amended by the Board. The TRGT assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided by the TCRS. The following was the Board's adopted asset allocation policy as of June 30, 2016:

Authorized Asset Class	Target Allocation
U.S. equity	33%
Canadian equity	4%
Developed market international equity	13%
Emerging market international equity	5%
Private equity	3%

U.S. fixed income	25%
Inflation indexed fixed income	4%
International fixed income	0%
Strategic lending	5%
Real estate	7%
Short-term securities	1%
Total	<u>100%</u>

Commitments:

Standby Commercial Paper Purchase Agreement: The TRGT has agreed to serve as standby commercial paper purchaser for commercial paper issued by the Funding Board of the State of Tennessee. By serving as a standby commercial paper purchaser, the TRGT receives an annual fee of 25 basis points on the \$350 million maximum issuance under this agreement during times when both Moody's and Standard and Poor's investment ratings assigned to the State of Tennessee's general obligation bonds are Aaa and AAA respectively, 40 basis points during times when either Moody's or Standard and Poor's has assigned ratings of Aa and AA respectively, or 55 basis points during times when either Moody's or Standard and Poor's has assigned ratings lower than Aa and AA respectively. In the unlikely event that the TRGT would be called upon to purchase the commercial paper, the TRGT would receive interest at a rate equal to prime plus 75 basis points during the first 30 consecutive days, plus an additional 50 basis points for each consecutive 30 days thereafter, up to a maximum rate allowed by state law.

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